

Colleagues,

This morning you will have seen Greg Hywood's note detailing substantial changes to our operations.

The decisions underpinning these changes are difficult, but as Greg has outlined to us all, we simply cannot shy away from them.

Not only are they a response to significant revenue pressures brought about by the broader economic environment, but also sweeping structural changes that challenge the economics of our – and virtually all other – traditional publishing businesses. It is important to reiterate that the challenges we face are not unique to Fairfax.

While we have previously announced a range of strategic initiatives to achieve efficiencies and develop new revenue streams, we need to do more to respond to the pace of structural change and the depth of the current cyclical slump in advertising revenue.

One initiative announced today is that The Sydney Morning Herald and The Age will move to a compact format, similar to the AFR, from March 2013. While this change will save the company \$44 million in printing costs each year, we are determined that it will make no difference to the quality of our independent journalism or to our editorial standards. Just as the smaller paper size did not diminish the quality of other broadsheets to make the switch – including The Guardian and The New York Times and many others – nor will it affect our content at The Age or The Sydney Morning Herald.

We have also announced that we will be introducing a metered digital subscription model from the first quarter of 2013. We have done a great deal of analysis of this issue and believe that the right subscription model will both generate the level of revenue our content deserves as well as protect the size and growth of our audiences across all platforms.

Finally, and of most immediate interest to all of you, we announced that approximately 300 roles will be made redundant from the Metro division. Many of these redundancies will occur over the next 2-3 months.

Around half of the roles to be made redundant will be editorial positions. This reduction in staff numbers will be implemented in conjunction with the Fairfax of the Future project. As you know we have also been conducting an Editorial Review to position our newsrooms for the future. This project has been about transforming our newsrooms across all platforms and geographies to an audience first focus and creating an operating model that will deliver quality independent journalism. While the Editorial Review did not specifically address staffing levels, its recommendations will provide a structural framework which we will use to manage staffing levels across the editorial floors.

A more detailed communication will follow to outline the consultation process in relation to this redundancy program.

More flexible staffing models are required across all parts of the Metro business, not just editorial. In particular, we are reviewing our customer facing operations, production processes and marketing operations in order to finalise the remaining required redundancies. Further information regarding those changes and areas affected will be communicated as soon as the detail is finalised.

These changes announced today are part of a far-reaching program, designed to comprehensively restructure and reposition the business for years to come. I understand the period ahead will be difficult, particularly while there remains uncertainty as to exactly how it will be implemented and who will be affected. But we will deal openly and fairly with all concerned, and we will move as quickly as we can to remove those uncertainties.

There will be a series of meetings, starting today, to discuss these announcements and to answer questions you will no doubt have. The current schedule, which is obviously subject to change, is as follows:

**Melbourne**

Monday	11.00	All staff	Auditorium	David Hoath, Garry Linnell, Paul Ramadge
Tuesday	4.00	All Staff	Auditorium	Jack Matthews, David Hoath, Garry Linnell, Paul Ramadge

**Sydney**

Monday	4.00	All Staff	Ground Floor ODI	Jack Matthews, Peter Fray, Garry Linnell
Tuesday	10.00	All Staff	Ground Floor ODI	Jack Matthews, Peter Fray, Garry Linnell

**Canberra**

Wed	TBD	All Staff		Jack Matthews, Ken Nichols, Garry Linnell, Rod Quinn
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